

Vote 8

National Treasury

R thousand	2006/07 To be appropriated	2007/08	2008/09
MTEF allocations	15 547 945	18 510 385	19 769 440
<i>of which:</i>			
Current payments	2 427 774	2 700 204	2 884 650
Transfers and subsidies	13 107 620	15 797 220	16 871 088
Payments for capital assets	12 551	12 961	13 702
Statutory amounts	202 801 930	221 025 393	242 815 825
Executive authority	Minister of Finance		
Accounting officer	Director-General of the National Treasury		

Aim

The aim of National Treasury is to promote economic development, good governance, social progress and rising living standards through the accountable, economical, equitable and sustainable management of public finances.

Programme purposes

Programme 1: Administration

Provide strategic management and administrative support to National Treasury, giving managerial leadership to the work of the department.

Programme 2: Economic Planning and Budget Management

Provide professional advice and support to the Minister of Finance on economic and fiscal policy, international financial relations, financial regulation, tax policy, intergovernmental financial relations and public finance development. Manage the annual budget process.

Programme 3: Asset and Liability Management

Manage government's financial assets and liabilities.

Programme 4: Financial Management and Systems

Manage and regulate government's supply chain processes, implement and maintain standardised financial systems, and co-ordinate the implementation of the Public Finance Management Act (1999) and related capacity-building initiatives.

Programme 5: Financial Accounting and Reporting

Set new, and improve existing, accounting policies and practices to ensure compliance with generally recognised accounting practices (GRAP), prepare consolidated financial statements, and improve the efficiency of financial reporting in the public service.

Programme 6: Provincial and Local Government Transfers

Manage conditional grants to the provincial and local spheres of government.

Programme 7: Civil and Military Pensions, Contributions to Funds and Other Benefits

Provide for pension and post-retirement medical benefit obligations to former employees of state departments and bodies, and for similar benefits to retired members of the military.

Programme 8: Fiscal Transfers

Transfer funds to other governments, public authorities and institutions in terms of the legal provisions governing financial relations between government and the particular authority or institution, including international development institutions of which government is a member.

Strategic overview and key policy developments: 2002/03 – 2008/09

Macroeconomic policies and fiscal reform

The long-term sustainability of South Africa's public finances requires a sound fiscal framework. The country's stable fiscal position has enabled it to adopt a more expansionary fiscal stance over the past few years. Such an expansionary budget framework allows for an increased spending envelope from which government can fund priority programmes. National Treasury continues to strengthen its fiscal analysis capacity, improving its understanding of fiscal trends and their effect on long-term growth and investment. The expected increase in infrastructure spending over the medium term would require that National Treasury and other departments improve the planning, co-ordination and monitoring of projects of a capital nature to ensure efficiency and quality spending.

National Treasury's fiscal reform programme is guided by the objective of promoting sustainable growth, development and poverty reduction. The reforms seek to improve budgetary transparency, spending efficiency and effectiveness and financial management. The Treasury continues to develop monitoring and reporting systems to increase spending transparency and accountability, and thus improve service delivery by other departments and agencies.

Government's macroeconomic policies are aimed at meeting the challenges of South Africa's social and economic development in the context of an increasingly interdependent global environment. The key priority is to increase growth to a higher and more sustainable level of at least 6 per cent, in line with government's accelerated and shared growth initiative (ASGI-SA).

Treasury's macroeconomic policy objectives include deepening South Africa's financial markets, gradually liberalising exchange controls, improving oversight of the financial sector, improving consumer protection, and combating money laundering and the financing of terrorism. Efforts to achieve macroeconomic convergence with the rest of the Southern African region continue with National Treasury's active involvement in the Southern African Development Community (SADC) on issues such as taxation, investment and regional economic integration.

Intergovernmental fiscal relations

National Treasury places great value on building a good intergovernmental financial and fiscal relations system. This is necessary to achieve service delivery targets and for efficient government spending. The regular publication of trends in spending on both provincial and local government level has empowered legislators to improve the quality of policy-making and spending at this level of government.

At the local government level, the priority will be to reinforce budget reform and financial management. Building on the solid legal foundation of the Municipal Finance Management Act (2003) (MFMA), municipalities will get targeted support to improve their financial management capacity and to strengthen the link between policy, planning and budgets. Reform of the provincial and municipal revenue-sharing arrangements has been concluded and is being operationalised.

Government has been encouraging local government structures to be viewed as key delivery grid-points. However, capacity is not adequate and needs to be strengthened for overall delivery of services, particularly in delivering infrastructure projects at local municipal level. Over time, the grant allocations to municipalities have increased, and will continue to do so. While the largest share of revenue still goes to provinces, grant allocations to the smallest and poorest municipalities have nevertheless increased significantly over the years; directly supporting local municipal capacity to deliver on their mandate. In future, it is anticipated that a review will be undertaken of conditional grants. A revision of the equitable share formula is also envisaged due to the abolishment of the Regional Services Council levies during 2006.

Financial management reforms

As part of its ongoing financial management reforms, National Treasury has established a supply chain management office to assist departments with the management of transversal contracts and also to ensure alignment of supply chain management practices with the PFMA. This development will see the establishment of departmental supply chain management units under the responsibility of the chief financial officer. It will ensure clarity of authority and accountability lines as well as minimising risk and improving the sourcing processes and procedures.

Progress is being made with changes to the financial systems. National Treasury has completed the development of the integrated financial management system (IFMS) master plan, user requirements and prospectus, and is busy with phase 2. This will involve a detailed design of the architectural platform of the IFMS, the establishment of a primary systems integrator with SITA and the completion of certain public private partnership (PPP) arrangements to share financial and technical risk.

National Treasury's improvements to financial accounting and reporting continue to make steady progress, with improvements introduced to the formats for financial reporting for national and provincial government; aligning formats of the annual financial statements to the prescribed GRAP standards.

National Treasury will continue to build and upgrade internal audit capacity in government. Its work will focus on implementing audit and risk management frameworks as well as providing support to the internal audit function throughout government.

Appropriate tax policies

Tax policy orientation has for some time been geared towards supporting a higher growth path for the South African economy. While a number of administrative changes have been introduced to ensure consistency, fairness and certainty, government has also provided tax relief for individuals and corporates.

To improve the tax system, several measures will be introduced on the taxation of motor vehicles and medical schemes. Also, to encourage investment in fixed property, transfer duties will be reduced. Furthermore, the systematic reduction of the corporate tax rate should encourage corporates to invest in large-scale investment projects.

Managing public sector debt and government assets

Another priority for National Treasury is the prudent management of government's financial assets and liabilities. The main debt management objective remains financing the borrowing requirements at the lowest cost within acceptable levels of risk. Management of government assets places emphasis on improving state-owned entities' financial performance and operational efficiencies. Developments in government-wide risk management supported by prudent cash and debt management policies and improving efficiencies in the management of state-owned entities have all contributed to a continuing decline in debt service cost. This has freed new resources to promote economic development and poverty relief.

Enhancement for budget process

Political oversight of the budget process has been increased through an earlier and more detailed review of budget proposals by the Ministers' Committee on the Budget.

These enhancements have improved the alignment between spending decisions and Government's strategic objectives.

International financial relations

The Treasury continues to play a significant role in the development of policies that are affected by South African involvement in international affairs and particularly on the African continent. The department continues to engage actively at regional and international level both with multilateral institutions and with finance ministries and related authorities in other countries, focusing on financial and fiscal support for New Partnership for Africa's Development (Nepad) initiatives. Increased work in the Southern African Customs Union (SACU) and SADC is another focus area. Furthermore, National Treasury will require increased capacity to support reforms including macroeconomic convergence, multi-year budget processes, and tax harmonisation.

Organisational environment

National Treasury's organisational environment and strategic direction is informed by five external strategic focus areas: promoting sustainable economic growth and work opportunities; reducing poverty; ensuring good governance and accountability; promoting optimal allocation and utilisation of financial resources in all spheres of government; and maintaining macroeconomic stability. These are augmented by four internal strategic priorities: improving co-ordination and communication; matching resources to workloads; developing human resource strategies to address attraction and retention challenges; and developing management skills.

A major challenge for National Treasury has been filling vacancies and attracting appropriate skills. The department has developed a plan to reduce its vacancy rate and has embarked on the establishment of a talent pool to ensure that it enlists the services of the best possible skills. The enhancement of the department's successful internship programme will also continue to add to this talent pool.

Expenditure estimates

Table 8.1 National Treasury

Programme	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	
R thousand								
1. Administration	123 017	108 266	109 406	160 633	145 633	135 362	141 732	155 113
2. Economic Planning and Budget Management	86 422	106 436	135 734	169 949	162 949	246 656	259 070	245 530
3. Asset and Liability Management	20 062	51 867	26 260	30 843	29 343	45 474	47 739	50 482
4. Financial Management and Systems	258 016	234 313	226 416	296 276	213 276	559 798	725 387	827 954
5. Financial Accounting and Reporting	49 823	44 717	31 902	57 990	47 990	86 684	92 076	98 916
6. Provincial and Local Government Transfers	2 256 000	3 239 318	3 934 260	4 279 513	4 279 513	4 716 776	6 822 682	7 396 707
7. Civil and Military Pensions, Contributions to Funds and Other Benefits	1 895 922	2 288 452	1 921 319	2 080 805	2 060 805	2 217 532	2 338 308	2 452 688
8. Fiscal Transfers	5 173 719	6 038 542	7 124 664	7 118 458	7 018 458	7 539 663	8 083 391	8 542 050
Subtotal	9 862 981	12 111 911	13 509 961	14 194 467	13 957 967	15 547 945	18 510 385	19 769 440
Direct charge on National Revenue Fund	140 703 007	153 851 302	169 735 694	187 140 632	186 451 632	202 801 930	221 025 393	242 815 825
Provinces	93 895 283	107 538 362	120 884 502	135 291 632	135 291 632	150 752 930	167 701 393	187 099 825
Equitable Share								
State Debt Costs	46 807 724	46 312 940	48 851 192	51 849 000	51 160 000	52 049 000	53 324 000	55 716 000
Total	150 565 988	165 963 213	183 245 655	201 335 099	200 409 599	218 349 875	239 535 778	262 585 265
Change to 2005 Budget estimate				(486 800)	(1 412 300)	(79 411)	5 664 123	14 376 217

Table 8.1 National Treasury (continued)

R thousand	Audited outcome			Adjusted appropriation	Revised estimate	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06		2006/07	2007/08	2008/09
Economic classification								
Current payments	48 538 403	48 094 558	50 570 433	53 845 612	53 030 112	54 476 774	56 024 204	58 600 650
Compensation of employees	107 277	127 363	162 315	216 524	188 524	294 005	325 882	348 270
Social contributions for retired employees	1 228 462	1 259 073	1 199 958	1 319 965	1 319 965	1 386 042	1 466 494	1 539 944
Goods and services	394 138	394 132	356 353	460 123	361 623	747 727	907 828	996 436
<i>of which:</i>								
Communication	7 117	6 851	8 611	16 153	16 153	9 220	9 792	10 392
Computer Services	1 539	1 034	189 487	237 582	157 582	319 176	477 614	557 447
Consultants, contractors and special services	280 325	312 967	64 688	70 428	51 928	292 564	288 615	271 278
Inventory	8 174	8 351	16 091	13 246	13 246	14 711	15 682	16 643
Maintenance repair and running cost	1 696	1 222	3 101	5 603	5 603	3 246	3 398	3 606
Operating leases	11 411	12 817	15 321	16 898	16 898	16 801	18 089	20 253
Travel and subsistence	15 846	15 841	15 716	36 392	36 392	46 400	48 577	51 555
Personnel	3 510	8 616	6 363	2 122	2 122	3 005	3 193	3 389
Agency Fees	5 049	6 626	5 139	8 187	8 187	11 543	11 827	12 552
Municipal Services	5 577	5 884	6 177	6 666	6 666	7 810	8 476	9 010
Interest and rent on land	46 807 724	46 312 940	48 851 192	51 849 000	51 160 000	52 049 000	53 324 000	55 716 000
Financial transactions in assets and liabilities	802	1 050	615	-	-	-	-	-
Transfers and subsidies	101 992 559	117 856 197	132 665 238	147 467 726	147 357 726	163 860 550	183 498 613	203 970 913
Provinces and municipalities	96 151 603	110 778 055	124 819 255	139 571 756	139 571 756	155 469 756	174 524 075	194 496 532
Departmental agencies and accounts	4 893 217	5 634 106	6 773 404	6 652 817	6 652 817	7 148 282	7 663 896	8 099 711
Universities and technikons	-	-	795	5 000	5 000	5 000	5 000	5 000
Public corporations and private enterprises	-	200	-	50 500	500	500	-	-
Foreign governments and international organisations	299 629	429 315	366 907	443 896	393 896	423 667	452 883	476 875
Non-profit institutions	50	52	56	58	58	62	65	68
Households	648 060	1 014 469	704 821	743 699	733 699	813 283	852 694	892 727
Payments for capital assets	35 026	12 458	9 984	21 761	21 761	12 551	12 961	13 702
Buildings and other fixed structures	5 600	-	-	-	-	-	-	-
Machinery and equipment	29 426	11 770	8 378	20 460	20 460	12 196	12 572	13 289
Software and other intangible assets	-	688	1 606	1 301	1 301	355	389	413
Total	150 565 988	165 963 213	183 245 655	201 335 099	200 409 599	218 349 875	239 535 778	262 585 265

Expenditure trends

Most of the department's direct expenditure goes towards transfer payments, including provincial and local government transfers, civil and military pensions payments, and transfers to the South African Revenue Service (SARS) and the Secret Services.

Between 2002/03 and 2005/06, expenditure increased from R9,9 billion to R14,2 billion at an average annual rate of 12,9 per cent. The increase went mainly towards transfers, and there were also significant increases in the department's core programmes.

Expenditure is expected to increase substantially over the 2006 medium-term expenditure framework (MTEF) period, mainly due to increases in transfers to SARS, the implementation of the improved financial management system (IFMS) project and the introduction of the neighbourhood development partnership grant. Expenditure is expected to reach R19,8 billion in 2008/09. Much of the future increase will go towards provincial and local government transfers.

Included in the additional allocations of the 2006 Budget are: R200 million in 2006/07, R350 million in 2007/08 and R420 million in 2008/09 for implementing the IFMS; R336 million (2006/07), R502 million (2007/08) and R601 million (2008/09) for the South African Revenue Service; and R50 million (2006/07), R950 million (2007/08) and R1,5 billion (2008/09) for the neighbourhood development partnership grant.

Direct charges on the National Revenue Fund

The department is responsible for the main statutory transfers to provincial governments. More information on these transfers can be found in chapter 7 and annexure E of the 2006 Budget Review and the 2006 Division of Revenue Bill. In addition, the National Treasury vote includes a provision for servicing government's debt obligations, which are direct charges against the National Revenue Fund in terms of section 73 of the PFMA. In 2005/06, expenditure on state debt costs will be R689 million lower than indicated in the 2005 Adjusted Estimates Budget, mainly due to lower borrowing requirements and lower domestic interest rates, and lower foreign interest payments due to the appreciation of the rand.

Departmental receipts

The main item of revenue is the interest on government deposits, and interest and dividends received from the South African Reserve Bank. Over the medium term, revenue is expected to decrease from R3,5 billion in 2006/07 to R3,1 billion in 2008/09, due to lower domestic interest rates, especially interest on exchequer investments.

Table 8.2 Departmental receipts

R thousand	Audited outcome			Adjusted appropriation	Medium-term receipts estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Departmental receipts	1 485 043	2 131 387	1 941 457	1 983 973	3 486 659	3 377 324	3 148 819
Sales of goods and services produced by department	10 232	12 295	43 916	39 573	41 552	45 707	48 509
Fines, penalties and forfeits	555	100 000	150 000	642	675	742	787
Interest, dividends and rent on land	1 457 683	2 009 569	1 742 186	1 920 490	3 420 000	3 304 000	3 071 000
Sales of capital assets	–	–	307	–	–	–	–
Financial transactions in assets and liabilities	16 573	9 523	5 048	23 268	24 432	26 875	28 523
Total	1 485 043	2 131 387	1 941 457	1 983 973	3 486 659	3 377 324	3 148 819

Programme 1: Administration

Administration provides strategic management and administrative support to National Treasury, giving managerial leadership to the work of the department.

Expenditure estimates

Table 8.3 Administration

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
R thousand							
Minister ¹	691	747	791	837	887	934	981
Deputy Minister ²	511	552	625	680	721	759	797
Management	26 423	12 898	14 196	24 216	28 487	30 513	31 944
Corporate Services	79 271	76 211	73 737	113 228	81 333	83 517	93 472
Property Management	16 121	17 858	20 057	21 672	23 934	26 009	27 919
Total	123 017	108 266	109 406	160 633	135 362	141 732	155 113
Change to 2005 Budget estimate				48 817	17 553	19 326	25 203
<i>1 Payable as from 1 April 2005. Salary: R 669 462. Car allowance: R 167 365.</i>							
<i>2 Payable as from 1 April 2005. Salary: R 544 123. Car allowance: R 136 030.</i>							
Economic classification							
Current payments	93 995	94 707	104 983	146 978	132 304	138 180	151 343
Compensation of employees	28 912	31 174	36 884	49 416	61 933	65 847	69 884
Goods and services	65 053	63 046	68 092	97 562	70 371	72 333	81 459
<i>of which:</i>							
<i>Communication</i>	<i>3 996</i>	<i>3 937</i>	<i>6 374</i>	<i>12 168</i>	<i>2 478</i>	<i>2 696</i>	<i>2 861</i>
<i>Computer Services</i>	<i>507</i>	<i>707</i>	<i>3 509</i>	<i>3 196</i>	<i>3 345</i>	<i>3 759</i>	<i>3 989</i>
<i>Consultants, contractors and special services</i>	<i>27 640</i>	<i>23 090</i>	<i>12 162</i>	<i>21 473</i>	<i>13 708</i>	<i>11 569</i>	<i>12 278</i>
<i>Inventory</i>	<i>1 960</i>	<i>2 374</i>	<i>3 125</i>	<i>3 752</i>	<i>2 998</i>	<i>3 246</i>	<i>3 445</i>
<i>Maintenance repair and running cost</i>	<i>1 024</i>	<i>1 031</i>	<i>1 877</i>	<i>3 584</i>	<i>1 965</i>	<i>2 057</i>	<i>2 183</i>
<i>Operating leases</i>	<i>10 338</i>	<i>11 711</i>	<i>14 163</i>	<i>15 232</i>	<i>16 184</i>	<i>17 443</i>	<i>19 567</i>
<i>Travel and subsistence</i>	<i>5 431</i>	<i>4 414</i>	<i>4 402</i>	<i>10 208</i>	<i>13 274</i>	<i>14 080</i>	<i>14 943</i>
<i>Audit fees</i>	<i>4 983</i>	<i>4 620</i>	<i>5 139</i>	<i>6 198</i>	<i>6 709</i>	<i>6 764</i>	<i>7 179</i>
<i>Municipal Services</i>	<i>5 577</i>	<i>5 884</i>	<i>6 177</i>	<i>6 666</i>	<i>7 810</i>	<i>8 476</i>	<i>9 010</i>
Financial transactions in assets and liabilities	30	487	7	–	–	–	–
Transfers and subsidies	180	4 717	278	338	176	165	175
Provinces and municipalities	84	92	112	116	16	–	–
Departmental agencies and accounts	96	118	166	140	160	165	175
Households	–	4 507	–	82	–	–	–
Payments for capital assets	28 842	8 842	4 145	13 317	2 882	3 387	3 595
Buildings and other fixed structures	5 600	–	–	–	–	–	–
Machinery and equipment	23 242	8 378	2 804	12 336	2 632	3 087	3 276
Software and other intangible assets	–	464	1 341	981	250	300	318
Total	123 017	108 266	109 406	160 633	135 362	141 732	155 113

Table 8.3 Administration (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Details of major transfers and subsidies:							
Departmental agencies and accounts							
Public entities							
Current	96	118	166	140	160	165	175
Finance, Accounting, Management, Consulting and other Financial Services (Fasset) Sector Education and Training Authority	96	118	166	140	160	165	175

Expenditure trends

Expenditure between 2002/03 and 2004/05 decreased from R123 million to R109,4 million, due to delays in re-scoping the document management system project, the review of structures for IT and the refurbishment of office accommodation. Expenditure increased in 2005/06, by 46,8 per cent compared to the previous year, reaching R160,6 million, as the projects were implemented.

There will be a moderate increase in expenditure between 2005/06 and 2008/09, from R135,4 million to R155,1 million, an average annual increase of 7 per cent. The increase is due to the devolution of funds from the Department of Public Works and capacity building in corporate services.

From 1 April 2006, costs for leases and accommodation charges will be devolved from the Department of Public Works to individual departments. National Treasury received the following amounts: R23,9 million in 2006/07, R26 million in 2007/08 and R27,9 million in 2008/09. Expenditure has been adjusted for 2002/03 to 2005/06.

Programme 2: Economic Planning and Budget Management

The *Economic Planning and Budget Management* programme provides for professional advice and support to the Minister of Finance on economic and fiscal policy, international financial relations, financial regulation, tax policy, intergovernmental financial relations and public finance development, and for the management of the annual budget process.

There are four subprogrammes:

- *Public Finance* manages National Treasury's relations with other national departments, provides budgetary support to departments, and advises the minister and the rest of National Treasury on departmental and government cluster matters. Focus areas include: departmental and sectoral financing and budgeting; monitoring financial management, expenditure and service delivery; policy analysis and policy development support; and, through the technical assistance unit, project management support for development programmes and initiatives.
- *Budget Office* provides fiscal policy advice, oversees expenditure planning and the national budget process, leads the budget reform programme, co-ordinates international technical assistance and donor finance, supports PPPs, and compiles public finance statistics.
- *Intergovernmental Relations* co-ordinates fiscal relations between national, provincial and local government, and promotes sound provincial and municipal budgetary planning, reporting and financial management.
- *Economic Policy* is responsible for providing macroeconomic analysis and policy advice, managing international financial relations, formulating tax policy and legislation, and co-

ordinating with the South African Reserve Bank on various areas of monetary policy, and with the Financial Services Board on the regulation of financial services.

Expenditure estimates

Table 8.4 Economic Planning and Budget Management

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
R thousand							
Public Finance	19 024	26 892	35 354	36 164	39 800	42 432	45 330
Budget Office	17 159	30 339	39 998	40 466	57 752	56 503	59 780
Intergovernmental Relations	13 587	19 691	24 034	52 084	65 633	66 243	52 138
Economic Policy	36 652	29 514	36 348	41 235	83 471	93 892	88 282
Total	86 422	106 436	135 734	169 949	246 656	259 070	245 530
Change to 2005 Budget estimate				18 188	83 600	88 394	64 391
Economic classification							
Current payments	83 948	97 623	125 574	156 135	230 104	243 293	229 644
Compensation of employees	43 372	58 178	73 642	96 227	120 191	136 369	148 785
Goods and services	40 576	39 440	51 928	59 908	109 913	106 924	80 859
<i>of which:</i>							
<i>Communication</i>	1 209	954	695	1 282	1 505	1 601	1 699
<i>Computer Services</i>	275	188	184	549	725	767	814
<i>Consultants, contractors and special services</i>	24 697	18 425	24 808	31 985	86 339	81 481	53 680
<i>Inventory</i>	3 708	4 498	8 251	5 409	5 615	5 971	6 337
<i>Maintenance repair and running cost</i>	106	87	101	529	106	111	118
<i>Operating leases</i>	316	345	510	514	534	559	593
<i>Travel and subsistence</i>	6 460	8 547	7 860	10 484	12 922	13 191	14 000
<i>Personnel Agency Fees</i>	1 833	3 304	3 011	1 459	1 218	1 340	1 422
Financial transactions in assets and liabilities	–	5	4	–	–	–	–
Transfers and subsidies	130	7 447	7 019	11 794	14 519	14 000	14 000
Provinces and municipalities	130	176	224	294	19	–	–
Departmental agencies and accounts	–	6 000	6 000	6 000	9 000	9 000	9 000
Universities and technikons	–	–	795	5 000	5 000	5 000	5 000
Public corporations and private enterprises	–	200	–	500	500	–	–
Foreign governments and international organisations	–	1 000	–	–	–	–	–
Households	–	71	–	–	–	–	–
Payments for capital assets	2 344	1 366	3 141	2 020	2 033	1 777	1 886
Machinery and equipment	2 344	1 349	3 044	1 946	1 928	1 688	1 791
Software and other intangible assets	–	17	97	74	105	89	94
Total	86 422	106 436	135 734	169 949	246 656	259 070	245 530

Table 8.4 Economic Planning and Budget Management (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Details of major transfers and subsidies:							
Departmental agencies and accounts							
Public entities							
Current	–	6 000	6 000	6 000	9 000	9 000	9 000
Project Development Facility-Trading Account	–	6 000	6 000	6 000	9 000	9 000	9 000
Universities and technikons							
Current	–	–	795	5 000	5 000	5 000	5 000
University of Cape Town	–	–	795	5 000	5 000	5 000	5 000
Public corporations and private enterprises							
Private enterprises							
Other transfers							
Current	–	200	–	500	500	–	–
Finmark Trust	–	200	–	–	–	–	–
Centre for Development and Enterprises	–	–	–	500	500	–	–
Foreign governments and international organisations							
Current	–	1 000	–	–	–	–	–
African Union	–	1 000	–	–	–	–	–

Expenditure trends

Expenditure increased rapidly from R86,4 million in 2002/03 to R169,9 million in 2005/06, at an average annual rate of 25,3 per cent, mainly due to increases in analytical and advisory capacity as well as improvements in the quality of economic and fiscal planning.

2006/07 and 2007/08 will be characterised by increased spending due to the implementation of the infrastructure delivery improvement programme (IDIP), capacity building, research projects, increased transfer to the project development facility trading account and the secretariat for the G20 in 2007/08. The IDIP programme will be scaled down by 2008/09, resulting in a reduction of total expenditure by 5,2 per cent compared to the previous year. The decrease has been offset against the increase in expenditure, as spending on the 2010 World Cup unit has been included in the outer years of the MTEF.

Service delivery objectives and indicators

Recent outputs

Public finance

Improvements were made to departments' measurable objectives in 2004, making them more realistic. The technical assistance unit supported 51 projects as part of its project management support.

Budget office

Through the PPP unit, 4 transactions were concluded and 53 projects registered between 2002 and 2005. By the end of 2004/05, the project development facility, established as a National Treasury trading account by the PPP unit in 2003, had committed more than R12 million in transaction advisory support to institutions undertaking PPPs.

The Collaborative Africa Budget Reform Initiative, CABRI, launched in South Africa in December 2004, hosted its second budget seminar at the end of 2005. The budget seminar was attended by budget officials from seventeen African countries, representatives from regional and international institutions and donors.

Intergovernmental relations

The division facilitated comprehensive reviews of both the provincial and local government equitable share formulas, which culminated in new formulas in the 2005 Budget. The implementation of the Municipal Finance Management Act (2003) marked the start of the formal process of extending several of the reforms implemented at national and provincial levels to municipalities.

Economic policy

The division's outputs include research on accelerating growth in South Africa, the treatment of tax medical deductions and a replacement tax for the Regional Services Council levy, and retirement pension reforms, including greater transparency on costs in the life assurance industry. Key highlights include the contracting of internal and local panels to assess government's accelerated and shared growth initiative and the compensation agreement with the major life policy companies for the early surrender or amendment of retirement annuities and endowment policies.

Selected medium-term output targets

Economic Planning and Budget Management

Measurable objective: Promote growth, social development and poverty reduction through sound economic, fiscal and financial policies, efficient revenue measures, and the effective, efficient and appropriate allocation of public funds.

Subprogramme	Output	Measure/indicator	Target
Public Finance	Sectoral and departmental policy advice Expenditure analysis Project management support (technical assistance unit)	Timely and relevant analysis and advice Quality of expenditure estimates Improved project and financial management	Assessment of policy priorities for medium term Introduction of new in-year expenditure monitoring system during medium term and phasing in of consolidated departmental and agency estimates and expenditure reports from 2006/07 Growth in project flow and measured progress in service delivery of client departments and agencies from medium term
Budget Office	Annual budget framework and division of revenue Budget Review, Estimates of National Expenditure, appropriation legislation, treasury guidelines and public finance statistics PPP agreements International co-operation agreements	Integrity of budget framework: fiscal sustainability, structure and trends in fiscal indicators Quality of budget documentation Increased PPP oversight capacity Alignment of official development assistance (ODA) with government priorities	Moderate budget deficit and sound fiscal framework Timely publication, accuracy of scope and quality of content Restructuring of PPP advisory and regulatory functions Improved co-ordination between ODA planning and budget process in the medium term

Subprogramme	Output	Measure/indicator	Target
Intergovernmental Relations	Support for provincial and municipal development	Number of provinces and municipalities in which financial management programmes and reforms have been implemented in order to implement the MFMA	9 provincial treasuries and 157 high- and medium-capacity municipalities over the medium term
	Facilitate infrastructure delivery and improvements in provinces	Provincial infrastructure plans complying with guidelines provided by National Treasury	Appointment of technical assistants to assist provincial departments to prepare plans
Economic Policy	Macroeconomic policy analysis and advice	Coherence of economic policy	Sustainable growth and development
	Financial sector policy advice, legislation and regulations	Deepening financial markets	Stable financial sector
	Tax policy analysis and advice	Tax policy reforms and revision of tax legislation	Robust tax revenue performance and structural adjustments of the overall tax system

Programme 3: Asset and Liability Management

The *Asset and Liability Management* programme manages government's financial asset and liability portfolio in a way that ensures prudent cash management, asset restructuring, financial management and optimal management of government's domestic and foreign debt portfolio.

Apart from *Management*, there are four subprogrammes:

- *Asset Management* monitors and enforces government bodies' and public entities' corporate governance compliance with the PFMA, and co-ordinates the borrowing activities of public entities in line with Treasury regulations.
- *Liability Management* provides for government's liquidity needs, and manages domestic and foreign debt.
- *Financial Operations* is responsible for managing government's liquidity requirements, and making sure that all government's debt transactions are accounted for and reported on, in terms of the PFMA and all other multilateral institutions' reporting requirements. It also provides for the systems used for storing information required by the different sections of the programme.
- *Strategy and Risk Management* develops and maintains a government-wide risk management framework and ensures that the strategies adopted by the *Asset and Liability Management* programme are in line with the agreed framework.

Expenditure estimates

Table 8.5 Asset and Liability Management

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
R thousand							
Management	7 021	31 143	3 008	7 520	11 953	11 829	12 509
Asset Management	2 207	4 934	5 634	4 462	7 734	8 274	8 750
Liability Management	4 414	6 007	7 466	6 141	10 473	11 210	11 854
Financial Operations	3 812	7 563	7 073	7 971	9 474	10 152	10 735
Strategy and Risk Management	2 608	2 220	3 079	4 749	5 840	6 274	6 634
Total	20 062	51 867	26 260	30 843	45 474	47 739	50 482
Change to 2005 Budget estimate				(18 879)	(460)	(482)	(695)

Table 8.5 Asset and Liability Management (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Economic classification							
Current payments	19 447	50 750	25 326	29 690	44 964	47 207	49 917
Compensation of employees	11 186	13 789	17 658	22 186	25 886	27 961	29 275
Goods and services	8 261	36 958	7 668	7 504	19 078	19 246	20 643
<i>of which:</i>							
Communication	420	419	129	249	999	1 049	1 113
Computer Services	145	139	2 724	2 744	4 293	3 721	3 949
Consultants, contractors and special services	4 076	32 609	120	499	376	401	426
Inventory	713	365	415	241	1 228	1 289	1 368
Maintenance repair and running cost	112	9	1 001	37	1 047	1 097	1 164
Operating leases	146	139	42	82	44	46	49
Travel and subsistence	1 625	1 134	858	1 410	3 377	3 546	3 763
Personnel Agency Fees	628	501	380	74	760	798	847
Audit Fees	–	1 060	–	591	1 276	1 340	1 422
Financial transactions in assets and liabilities	–	3	–	–	–	–	–
Transfers and subsidies	33	186	54	53	3	–	–
Provinces and municipalities	33	41	54	53	3	–	–
Households	–	145	–	–	–	–	–
Payments for capital assets	582	931	880	1 100	507	532	565
Machinery and equipment	582	725	869	1 100	507	532	565
Software and other intangible assets	–	206	11	–	–	–	–
Total	20 062	51 867	26 260	30 843	45 474	47 739	50 482

Expenditure trends

Between 2002/03 and 2004/05, this programme underspent its budget by an average of 38 per cent. This was due mainly to the delayed starting dates of special projects such as the review of state-owned enterprises' treasury operations, the review of the mandates of development finance institutions (DFIs), and the development of internal systems that cater for the division's needs. These projects are expected to be implemented over the 2006 MTEF, which should result in total expenditure increasing more rapidly from R30,8 million in 2005/06 to R50,5 million in 2008/09, at an average rate of 17,8 per cent.

Service delivery objectives and indicators

Recent outputs

Prudent debt and cash management strategies enable government to meet its borrowing requirement. These strategies also contributed to lowering government debt and the cost of servicing debt-to-GDP ratios. Following government's stable record of macroeconomic policy and fiscal management, all three major rating agencies upgraded South Africa's sovereign credit rating to BBB+.

The scope of risk management was broadened from a market risk analysis of government's debt portfolio to a government-wide risk management approach. Liquidity and refinancing risk, inflation risk and currency risk are managed by determining an optimal debt maturity profile, a balanced choice between fixed and floating rate debt, and a preferred level and composition of

foreign debt. Country and credit risks are associated, among others, with cash deposits held with counterparties and guarantees provided to state-owned entities (contingent liability).

Emphasis continues to be on improving financial performance, increasing levels of operational efficiency and cost-effective service provision by the state-owned entities. Improved financial performance will be supported by initiatives that include an assessment of treasury operations of state-owned entities, a review of the mandates of development finance institutions, and an evaluation of policies concerning financial distribution and capital stakeholders.

Selected medium-term output targets

Asset and Liability Management

Measurable objective: Manage government's asset and liability portfolio in a way that ensures prudent cash management, asset restructuring, financial management and optimal management of government's domestic and foreign debt portfolio.

Subprogramme	Output	Measure/indicator	Target
Asset Management	Present the report on the review of mandates of development finance institutions (DFIs)	Percentage of DFIs reviewed	55 % by 31 March 2007
	Present the report on the review of SOEs' treasury operations	Percentage of SOEs reviewed	60% by 31 March 2007
	SOE dividend policy formulated	Financial modelling of appropriate dividend policy for SOEs	60% modelled by 31 March 2007
Liability Management	Financing of government's net borrowing requirements	Annual total government borrowing needs fully met	Net positive issuance of R50,4 billion by 31 March 2007
	Reduce debt service cost	Debt service cost declines as percentage of GDP	3,4% of GDP by 31 March 2007
Financial Operations	Sound cash flow forecasts	Government's liquidity requirements met every time	Forecasting of R1,1 trillion of cash flows by 31 March 2007
	Optimise return on investment	Reduction of non-interest bearing liquidity buffer	31 March 2008
	Fully automated and integrated treasury management systems	Straight-through processing	Acquisition and integration of middle and front office system by 31 March 2008
Strategy and Risk Management	Minimising and mitigating risks emanating from government debt portfolio (market risk)	Performance against benchmarks:	
		Floating vs fixed debt	30% floating and 70% fixed by 31 March 2007
	Foreign debt vs domestic debt	20% foreign and 80% domestic by 31 March 2007	
	Minimising and mitigating counterparty risks emanating from the investment of surplus cash	Adherence to the surplus cash benchmarked investment ratios with 4 commercial banks	20%-29% per counterparty by 31 March 2007
Capping of the investment per counterparty		50% of capital and reserves by 2007	

Programme 4: Financial Management and Systems

The *Financial Management and Systems* programme manages and regulates government's supply chain processes, implements and maintains standardised financial systems, and co-ordinates the implementation of the PFMA and related capacity-building initiatives.

Apart from *Management*, there are three subprogrammes:

- *Supply Chain Management* develops policy that regulates the supply chain processes in the public sector, monitors policy outcomes, and facilitates and manages transversal term contracts on behalf of government.
- *PFMA Implementation and Co-ordination* provides for National Treasury's monitoring role in the implementation of the PFMA and related training initiatives.

- *Financial Systems* is responsible for maintaining and improving existing financial management systems, and replacing outdated systems with those that comply with the PFMA and GRAP.

Expenditure estimates

Table 8.6 Financial Management and Systems

Subprogramme	Audited outcome			Adjusted	Medium-term expenditure estimate			
	2002/03	2003/04	2004/05	appropriation	2005/06	2006/07	2007/08	2008/09
R thousand								
Management	4 363	1 080	1 151	1 231	1 345	1 413	1 514	
Supply Chain Management	10 205	19 392	30 567	34 828	32 128	34 105	36 064	
PFMA Implementation and Co-ordination	5 114	10 347	5 250	14 327	15 076	15 895	16 809	
Financial Systems	238 334	203 494	189 448	245 890	511 249	673 974	773 567	
<i>Operational costs</i>	<i>21 904</i>	<i>18 935</i>	<i>26 033</i>	<i>34 358</i>	<i>51 293</i>	<i>58 656</i>	<i>61 884</i>	
<i>Basic Accounting System (BAS)</i>	<i>76 091</i>	<i>64 561</i>	<i>59 183</i>	<i>65 078</i>	<i>85 040</i>	<i>85 005</i>	<i>90 564</i>	
<i>Persal</i>	<i>42 005</i>	<i>44 256</i>	<i>39 259</i>	<i>44 087</i>	<i>53 888</i>	<i>57 621</i>	<i>59 368</i>	
<i>Logis</i>	<i>51 453</i>	<i>37 280</i>	<i>34 226</i>	<i>48 257</i>	<i>46 358</i>	<i>48 889</i>	<i>51 650</i>	
<i>Vulindlela</i>	<i>34 219</i>	<i>16 953</i>	<i>20 641</i>	<i>18 123</i>	<i>24 267</i>	<i>25 531</i>	<i>26 897</i>	
<i>Financial Management System (FMS)</i>	<i>12 662</i>	<i>10 934</i>	<i>4 965</i>	–	–	–	–	
<i>Integrated Financial Management System (IFMS)</i>	–	10 575	5 141	35 987	250 403	398 272	483 204	
Total	258 016	234 313	226 416	296 276	559 798	725 387	827 954	
Change to 2005 Budget estimate				14 277	189 075	335 726	414 405	

Economic classification

Current payments	254 760	233 361	225 354	292 847	556 405	721 865	824 216
Compensation of employees	21 307	20 289	23 487	31 200	56 535	61 079	64 076
Goods and services	233 453	213 071	201 867	261 647	499 870	660 786	760 140
<i>of which:</i>							
<i>Communication</i>	<i>1 279</i>	<i>1 361</i>	<i>1 306</i>	<i>1 698</i>	<i>2 179</i>	<i>2 267</i>	<i>2 406</i>
<i>Computer Services</i>	<i>510</i>	–	<i>182 529</i>	<i>230 018</i>	<i>305 735</i>	<i>464 019</i>	<i>543 019</i>
<i>Consultants, contractors and special services</i>	<i>188 615</i>	<i>206 454</i>	<i>6 145</i>	<i>843</i>	<i>172 069</i>	<i>176 618</i>	<i>185 436</i>
<i>Inventory</i>	<i>1 036</i>	<i>701</i>	<i>3 882</i>	<i>1 965</i>	<i>2 271</i>	<i>2 357</i>	<i>2 501</i>
<i>Maintenance repair and running cost</i>	<i>425</i>	<i>71</i>	<i>66</i>	<i>1 034</i>	<i>69</i>	<i>72</i>	<i>76</i>
<i>Travel and subsistence</i>	<i>1 788</i>	<i>1 503</i>	<i>1 211</i>	<i>4 876</i>	<i>5 639</i>	<i>5 917</i>	<i>6 280</i>
<i>Audit Fees</i>	<i>66</i>	<i>946</i>	–	<i>1 398</i>	<i>2 280</i>	<i>2 385</i>	<i>2 531</i>
Financial transactions in assets and liabilities	–	1	–	–	–	–	–
Transfers and subsidies	64	54	71	94	9	–	–
Provinces and municipalities	64	54	71	94	9	–	–
Payments for capital assets	3 192	898	991	3 335	3 384	3 522	3 738
Machinery and equipment	3 192	897	834	3 089	3 384	3 522	3 738
Software and other intangible assets	–	1	157	246	–	–	–
Total	258 016	234 313	226 416	296 276	559 798	725 387	827 954

Expenditure trends

A decrease in expenditure of 9,2 per cent from 2002/03 to 2003/04 was a result of the delayed development and implementation of the integrated financial management system. The sharp increase in expenditure by 30,9 per cent in 2005/06 compared to the previous year is due to the implementation of the integrated financial management system and continuous work on other systems such as the basic accounting system, Logis and Persal. In the subsequent years between 2006/07 and 2008/09, expenditure is expected to increase rapidly from R559,8 million to

R828 million respectively, at an average annual rate of 21,6 per cent, due to the implementation of the IFMS. The IFMS received additional budget allocations for 2006/07 of R200 million, growing to R350 million in 2007/08 and R420 million in 2008/09.

Service delivery objectives and indicators

Recent outputs

Supply chain management

Supply chain management has been implemented in all national and provincial departments and in the majority of constitutional institutions and schedule 3A and 3C public entities. Municipal supply chain management regulations were promulgated in May 2005. To assist municipalities with the implementation, a generic supply chain policy, guide for accounting officers, municipal bidding documents and an implementation checklist were issued.

Implementing and co-ordinating the PFMA

During the second quarter of 2005, the PFMA implementation unit submitted detailed reports to the Standing Committee on Public Accounts (SCOPA) and the Portfolio Committee on Finance on all initiatives undertaken by the National Treasury to help departments, constitutional institutions and public entities to implement the PFMA. National Treasury has engaged external training service providers to help with training for supply chain management, the standard chart of accounts, risk management and internal auditing.

Better financial systems

During 2004, across all departments, trading accounts and revenue funds as prescribed and approved by the accountant general, full migration from the financial management system (FMS) to the basic accounting system (BAS) and the implementation of the standard chart of accounts, was achieved. Cabinet approved the master system plan to continue with the IFMS project. This points to a marked improvement in government's financial and human resources management systems as a whole.

Selected medium-term output targets

Financial Management and Systems

Measurable objective: Regulate and oversee public sector supply chain management and standardise financial systems of national and provincial government, while- co-ordinating the implementation of the PFMA.

Subprogramme	Output	Measure/Indicator	Target
Supply Chain Management	Regulate and monitor supply chain management policy in government	Implement consistent legislative and policy framework	Phased implementation strategy and reports to Cabinet as and when required
	Facilitate the arrangement of general transversal contracts on behalf of government	Reduced turnaround time	Reduce average turnaround time from 5 months to 3 months
PFMA Implementation and Co-ordination	Co-ordinate implementation of PFMA and related training initiatives, as well as monitor implementation in institutions to which the act applies	Report to Portfolio Committee of Finance and SCOPA on progress with PFMA implementation	July 2006
		PFMA Amendment Bill submitted to Parliament	August 2006

Subprogramme	Output	Measure/Indicator	Target
Financial Systems	Implement, maintain and improve financial management systems	Percentage of availability and stability of financial systems within office hours	System 98% available during office hours
		IFMS phased implementation	Quarterly progress reports to Cabinet

Programme 5: Financial Accounting and Reporting

The *Financial Accounting and Reporting* programme seeks to achieve accountability to the general public by promoting transparency and effectiveness in the delivery of public services, especially in the management of revenue, expenditure, assets and liabilities. It sets new, and improves existing government accounting policies and practices to ensure compliance with the standards of GRAP; prepares consolidated financial statements; and tries to improve the timeliness, accuracy and efficiency of financial reporting.

There are six subprogrammes:

- *Financial Reporting for National Accounts* is responsible for accounting for the National Revenue Fund and the RDP Fund, banking services for national government, and preparing consolidated financial statements.
- *Financial Management Improvement* includes improving financial management and providing training, developing and implementing accounting policies, and internal audit services. It also assists the Institute for Public Finance and Auditing.
- *Investment of Public Monies* accommodates augmentation of the Public Investment Corporation's bank account.
- *Service Charges (Commercial Banks)* provides for bank service charges for all departments' deposit accounts.
- *Audit Statutory Bodies* provides for compensation for certain shortfalls of statutory bodies and municipalities in terms of the Auditor-General Act (1995).
- *Contingent Liabilities: Reinsurance Liabilities* provides for reinsurance granted to insurers arising from loss or damage to property, funds payments or consequential loss as a result of riots in terms of the Reinsurance of Damages and Losses Act (1989), and grants loans and advances to such insurers in terms of the act.

Expenditure estimates

Table 8.7 Financial Accounting and Reporting

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
R thousand							
Financial Reporting for National Accounts	25 090	23 445	19 651	33 897	51 536	55 225	59 766
Financial Management Improvement	7 222	2 453	4 424	9 764	20 046	21 049	22 603
Investment of Public Monies	–	–	–	1	1	1	1
Service Charges (Commercial Banks)	5 634	7 624	160	27	–	–	–
Audit Statutory Bodies	11 877	11 195	7 667	14 300	15 100	15 800	16 545
Contingent Liabilities: Reinsurance Liabilities	–	–	–	1	1	1	1
Total	49 823	44 717	31 902	57 990	86 684	92 076	98 916
Change to 2005 Budget estimate				(27 644)	(11 835)	(11 956)	(11 494)

Table 8.7 Financial Accounting and Reporting (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Economic classification							
Current payments	34 283	29 230	23 106	36 912	63 075	67 538	73 225
Compensation of employees	2 500	3 933	10 644	17 495	29 460	34 626	36 251
Goods and services	31 783	25 297	12 462	19 417	33 615	32 912	36 975
<i>of which:</i>							
<i>Communication</i>	213	180	107	756	2 059	2 179	2 313
<i>Computer Services</i>	102	–	541	1 075	5 078	5 348	5 676
<i>Consultants, contractors and special services</i>	20 285	16 069	7 117	1 543	5 192	2 919	3 098
<i>Inventory</i>	757	413	418	1 879	2 599	2 819	2 992
<i>Maintenance repair and running cost</i>	29	24	56	419	59	61	65
<i>Operating leases</i>	101	23	37	656	39	41	44
<i>Travel and subsistence</i>	542	243	1 385	9 414	11 188	11 843	12 569
<i>Personnel Agency Fees</i>	93	371	570	626	597	625	663
Transfers and subsidies	15 474	15 066	7 969	19 089	19 864	20 795	21 772
Provinces and municipalities	9	12	32	54	3	–	–
Departmental agencies and accounts	15 465	15 037	7 937	19 035	19 861	20 795	21 772
Households	–	17	–	–	–	–	–
Payments for capital assets	66	421	827	1 989	3 745	3 743	3 919
Machinery and equipment	66	421	827	1 989	3 745	3 743	3 919
Total	49 823	44 717	31 902	57 990	86 684	92 076	98 916

Details of major transfers and subsidies:

Departmental agencies and accounts							
Public entities							
Current	15 273	14 787	7 937	19 035	19 861	20 795	21 772
Accounting Standards Board	3 396	3 592	270	4 733	4 759	4 993	5 227
Audit (Auditor-General)	11 877	11 195	7 667	14 302	15 102	15 802	16 545
Capital	192	250	–	–	–	–	–
Accounting Standards Board	192	250	–	–	–	–	–

Expenditure trends

Expenditure decreased in 2003/04 and 2004/05 to R44,7 million and R31,9 million respectively, mainly due to the decline in expenditure on consultants and also due to lower claims than anticipated in relation to statutory audit fees and the phased transfer of bank services charges to individual departments. Expenditure is expected to grow at an average annual rate of 19,5 per cent over the 2006 MTEF, from R58 million in 2005/06 to R98,9 million in 2008/09, due to higher expenditure on consultancy fees, the public audit forum and skills assessment.

Service delivery objectives and indicators

Recent outputs

Financial reporting for national accounts

In 2004/05, a standardised financial reporting template was prepared and published. The unit improved on ledger closure dates and contributed to the refined in-year monitoring system to facilitate punctual monthly, quarterly and annual reporting.

Improving financial management

During 2004/05, the generic accrual accounting policies for all entities were finalised. The asset management framework policy, for recognition of assets, was finalised and the implementation drive started afterwards. An asset management guide was developed to facilitate the implementation of the asset management framework. The division has been able to conduct internal audit reviews across national and provincial departments to ensure compliance.

Selected medium-term output targets

Financial Accounting and Reporting

Measurable objective: Achieve accountability to the general public by promoting transparency and effective management in relation to revenue, expenditure, and assets and liabilities in South Africa's public sector.

Subprogramme	Output	Measure/Indicator	Target
Financial Reporting for National Accounts	Monthly statement of National Revenue Fund actual revenue and expenditure	Timely publishing of accurate report	30 days after month end
	Specimen formats for annual financial statements and consolidated annual financial statements and conduct implementation sessions	Completed formats that comply with government prescripts	31 March 2006 and 2007
	Consolidated annual financial statements for national government	Accurate and timely audited consolidated annual financial statements for national government	30 September 2006
Financial Management Improvement	Accounting policies and practices in support of the framework for the transition from cash to accrual accounting	Completed set of accounting policies and practices in line with GRAP standards and adhering to local and international best practices	100% alignment to GRAP standards
	Approved internal audit and risk management frameworks for national and provincial departments	Completed set of accounting policies and practices in line with GRAP standards	100% alignment by March 2007
	Internal audit and risk management frameworks for national and provincial departments	Percentage compliance with frameworks	By March 2007: 100% national 100% provincial
	Public sector audit committee forum	Public sector audit committee forum established Review effectiveness of forum and report to Director-General on refinements	30 April 2006 31 March 2007

Programme 6: Provincial and Local Government Transfers

The *Provincial and Local Government Transfers* programme manages conditional grants to the provincial and local spheres of government expenditure estimates.

There are three subprogrammes:

- *Provincial Infrastructure Grant* provides for the transfers to provinces and for monitoring. The grant supports accelerated infrastructure development and maintenance for roads, schools, health facilities and rural development.

- *Local Government Financial Management and Restructuring Grants* provides for the transfers to municipalities, and is responsible for the design and monitoring of the financial management grant and the restructuring grant, which are for piloting budget and financial reforms. The implementation of the Municipal Finance Management Act (2003) also falls under this subprogramme. From 2008/09, the local government restructuring grant will be part of the provincial equitable share.
- *Neighbourhood Development Partnership Grant* provides for the transfer to municipalities for the design of partnership projects and co-financing the construction of new and improved community facilities.

Expenditure Estimates

Table 8.8 Provincial and Local Government Transfers

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
R thousand							
Provincial Infrastructure Grant	1 950 000	2 534 488	3 348 362	3 730 773	4 118 119	5 324 025	5 696 707
Local Government Financial Management and Restructuring Grants	306 000	704 830	585 898	548 740	548 657	548 657	200 000
Neighbourhood Development Partnership Grant	–	–	–	–	50 000	950 000	1 500 000
Total	2 256 000	3 239 318	3 934 260	4 279 513	4 716 776	6 822 682	7 396 707
Change to 2005 Budget estimate				–	50 000	950 000	1 164 003

Economic classification

Transfers and subsidies	2 256 000	3 239 318	3 934 260	4 279 513	4 716 776	6 822 682	7 396 707
Provinces and municipalities	2 256 000	3 239 318	3 934 260	4 279 513	4 716 776	6 822 682	7 396 707
Total	2 256 000	3 239 318	3 934 260	4 279 513	4 716 776	6 822 682	7 396 707

Details of major transfers and subsidies:

Provinces and municipalities							
Provinces							
Capital	1 950 000	2 534 488	3 348 362	3 730 773	4 118 119	5 324 025	5 696 707
Provincial Infrastructure Grant	1 550 000	2 334 488	3 348 362	3 730 773	4 118 119	5 324 025	5 696 707
Flood Rehabilitation	400 000	200 000	–	–	–	–	–
Municipalities							
Current	306 000	704 830	585 898	548 740	598 657	1 498 657	1 700 000
Local Government Restructuring	151 000	494 000	387 900	350 000	350 000	350 000	–
Financial Management: Municipalities	111 000	151 000	129 000	132 500	145 250	145 250	150 000
Financial Management: Development Bank of Southern Africa	44 000	59 830	68 998	66 240	53 407	53 407	50 000
Neighbourhood Development Partnership Grant	–	–	–	–	50 000	950 000	1 500 000

Expenditure trends

The provincial infrastructure grant, which contains the bulk of the programme's expenditure, accounting on average for 82,8 per cent over the seven-year period, addresses the backlogs in provincial infrastructure. Expenditure on the grant has increased rapidly from R2 billion in 2002/03 to R3,7 billion in 2005/06, at an average annual rate of 24,1 per cent. This growth is expected to continue to rise, with expenditure reaching R5,7 billion in 2008/09, an average increase of 15,2 per cent. This grant supports an increasing need for capital infrastructure in the provinces, hence the increase in both periods.

The local government financial grant amounted to R198 million in both 2004/05 and 2005/06. All the allocations were disbursed in 2004/05. These conditional grants were all disbursed as municipalities met the conditions.

Over the 2006 MTEF, R700 million has been allocated to the restructuring grant (R350 million each year). This grant is phased out at the end of 2007/08.

The 2006 Budget includes R50 million (2006/07), R950 million (2007/08) and R1,5 billion (2008/09) for the neighbourhood development partnership grant. This is a new grant to municipalities for the design of partnership projects and for co-financing the construction of new and better community facilities.

Service delivery objectives and indicators

Recent outputs

The more detailed framework of these grants was published in appendix E2 with the Division of Revenue Act (2005). The formulation of IDIP was done to address challenges facing provinces in the delivery of infrastructure, which it is implementing with the Department of Public Works and the Development Bank of Southern Africa.

Selected medium-term output targets

Provincial and Local Government Transfers

Measurable objective: Improve the pace and quality of provincial infrastructure investment and asset maintenance, promote financial management reforms in municipalities, and restructure service delivery in municipalities with large budgets.

Subprogramme	Output	Measure/indicator	Target
Provincial Infrastructure Grant	Monitoring provincial infrastructure development	Transfers made according to conditions Reporting on compliance, transfers and spending	Transfers made by 31 March 2007 in compliance with the requirements of the Division of Revenue Act Quarterly reporting
Local Government Financial and Restructuring Management Grants	Monitoring of municipal financial management reforms and restructuring Funding assistance to restructure and modernise service delivery in large- budget municipalities	Transfers made according to conditions Regular reporting per grant Number of approved applications and settings of conditions	Transfers made by 31 March 2007 in compliance with the requirements of the Division of Revenue Act Quarterly reporting as per stated criteria and conditions Managing and overseeing compliance with conditions of grants by successful municipalities by 2008
Neighbourhood Development Partnership Grant	Establish new unit Technical assistance to municipalities	Appointment of personnel and setup of systems Number of municipalities	May 2006 10 by March 2007

Programme 7: Civil and Military Pensions, Contributions to Funds and Other Benefits

The key objective of the *Civil and Military Pensions, Contributions to Funds and Other Benefits* programme is to provide for pension and post-retirement medical benefit obligations to former employees of state departments and bodies, and for similar benefits to retired members of the military.

There are two subprogrammes:

- *Civil Pensions and Contributions to Funds* provides for the payment of benefits out of pension and other funds to the beneficiaries of various public sector bodies in terms of different statutes, collective bargaining agreements and other commitments.
- *Military Pensions and Other Benefits* provides for the payment of military pension benefits and medical claims arising from treatment for disability, medical assistance-devices, and other related expenses, in terms of statutory commitments.

Expenditure estimates

Table 8.9 Civil and Military Pensions, Contributions to Funds and Other Benefits

Subprogramme	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
R thousand							
Civil Pensions and Contributions to Funds	1 762 101	2 148 823	1 782 619	1 936 694	2 064 774	2 177 912	2 284 762
Military Pensions and Other Benefits	133 821	139 629	138 700	144 111	152 758	160 396	167 926
Total	1 895 922	2 288 452	1 921 319	2 080 805	2 217 532	2 338 308	2 452 688
Change to 2005 Budget estimate				(98 000)	(98 000)	(98 000)	(132 977)

Economic classification

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Current payments	1 244 246	1 275 947	1 214 898	1 334 050	1 400 922	1 482 121	1 556 304
Social contributions for retired employees	1 228 462	1 259 073	1 199 958	1 319 965	1 386 042	1 466 494	1 539 944
Goods and services	15 012	16 320	14 336	14 085	14 880	15 627	16 360
<i>Consultants, contractors and special services</i>	15 012	16 320	14 336	14 085	14 880	15 627	16 360
Financial transactions in assets and liabilities	772	554	604	–	–	–	–
Transfers and subsidies	651 676	1 012 505	706 421	746 755	816 610	856 187	896 384
Foreign governments and international organisations	3 566	2 724	1 544	3 080	3 265	3 428	3 589
Non-profit institutions	50	52	56	58	62	65	68
Households	648 060	1 009 729	704 821	743 617	813 283	852 694	892 727
Total	1 895 922	2 288 452	1 921 319	2 080 805	2 217 532	2 338 308	2 452 688

Details of major transfers and subsidies:

Foreign governments and international organisations							
Current	3 566	2 724	1 544	3 080	3 265	3 428	3 589
United Kingdom Tax	3 566	2 724	1 544	3 080	3 265	3 428	3 589
Non-profit institutions							
Current	50	52	56	58	62	65	68
SA Legion	50	52	56	58	62	65	68
Households							

Table 8.9 Civil and Military Pensions, Contributions to Funds and Other Benefits (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Social benefits							
Current	648 060	1 009 729	704 821	743 617	813 283	852 694	892 727
Civil Pensions	515 947	872 192	568 288	601 581	662 725	694 608	727 219
<i>of which:</i>							
<i>Contributions to provident funds for associated institutions</i>	469	538	550	817	866	909	952
<i>Parliamentary awards</i>	38	45	36	136	144	151	158
<i>Other beneficiaries</i>	41 668	47 329	50 405	51 350	54 431	57 153	59 836
<i>Pension benefit: President of RSA</i>	640	687	724	718	811	849	889
<i>Political Office Bearers' Fund</i>	14 019	415 480	16 800	18 820	19 949	20 946	21 929
<i>Awards in respect of temporary, total or partial disablement or death as a result of injury on duty</i>	179 232	192 235	230 583	220 000	258 200	269 860	282 530
<i>Special Pensions</i>	279 881	215 878	269 190	309 739	328 323	344 739	360 924
<i>Augmentation of civil pensions</i>	–	–	–	1	1	1	1
Military Pensions	132 113	137 537	136 533	142 036	150 558	158 086	165 508
<i>of which:</i>							
<i>Ex-service</i>	48 457	47 407	45 250	48 000	50 880	53 424	55 932
<i>SA Citizen Force</i>	71 428	76 660	79 750	80 000	84 800	89 040	93 220
<i>Civil Protection</i>	19	19	19	36	38	40	42
<i>Other Benefits Ex-servicemen</i>	12 209	13 451	11 514	14 000	14 840	15 582	16 314

Expenditure trends

Government's contributions to medical schemes consume the largest part of this programme, accounting on average for 62,5 per cent of programme's budget, and growing from R1,3 billion in 2005/06 to R1,5 billion in 2008/09, at an average annual rate of 2,3 per cent. The pre-1992 medical aid benefits as a result of regulating the scheme have been phased out as from 1 July 2005. Following recent spending trends, the-pre 1992 medical scheme benefits have expected savings of R98 million across the medium term. Despite the savings, the programme still grows by 5,6 per cent over the medium term compared to the 3,2 per cent between 2002/03 and 2005/06.

Service delivery objectives and indicators

Recent outputs

Through reviewing administrative systems, it became clear that the administration of pensions and contributions needed to be re-engineered. Business analysts have compiled draft functional specifications for workflow processes, and these are being evaluated. The preferred application is also being reconsidered due to the shortcomings noted in the functioning of the system, financial considerations and changing market perceptions about the pensions administration system.

Selected medium-term output target**Civil and Military Pensions, Contributions to Funds and Other Benefits**

Measurable objective: Ensure that benefits and awards are paid to beneficiaries of departments, state-aided bodies and other specified bodies, in terms of legislation, collective-bargaining agreements and other commitments.

Subprogramme	Output	Measure/indicator	Target
Civil Pensions and Contributions to Funds	Payment of pension benefits and contributions to funds (Including special pensions)	Number of beneficiaries paid monthly	13 314 beneficiaries paid monthly by March 2007
	Payment of contributions to medical aid schemes on behalf of members.	Contributions paid for a number of members	134 892 members per month
	Payment of risk and administrative fees to the Political Bearers Pension Fund	Number of members per month	900 members paid monthly
Military Pensions and Other Benefits	Payment of military pension benefits	Number of beneficiaries per month	5 133 beneficiaries paid monthly by March 2007
	Payment to service providers for medical expenses	Number of claims paid monthly to service providers	401 claims monthly by March 2007

Programme 8: Fiscal Transfers

The *Fiscal Transfers* programme makes funds available to other governments, public authorities and institutions in terms of the legal provisions governing the financial relations between government and the particular authority of institution, including international development institutions of which government is a member.

The subprogrammes reflect the different transfers. Domestic transfers are made to the Development Bank of Southern Africa, the South African Revenue Service, and the Financial and Fiscal Commission for the fulfilment of their statutory obligations. In addition, funds are paid to augment the Secret Services account for intelligence gathering, and for the Financial Intelligence Centre.

Foreign transfer payments are made to: the Highly Indebted Poor Countries Initiative, which provides debt relief to poor countries in terms of a bilateral agreement between the donor countries and the International Monetary Fund (IMF); the World Bank Group; the African Development Bank; Lesotho, Namibia and Swaziland (*Common Monetary Area Compensation* subprogramme) for the rand monetary area agreement; the Commonwealth Fund for Technical Co-operation; and the Vaccination Fund in line with an agreement with the Global Alliance for Vaccines and Immunisation (GAVI).

Expenditure estimates**Table 8.10 Fiscal Transfers**

Subprogramme	Audited outcome			Adjusted	Medium-term expenditure estimate			
	2002/03	2003/04	2004/05	appropriation	2005/06	2006/07	2007/08	2008/09
R thousand								
Common Monetary Area Compensation (CMA)	128 925	292 835	250 987	276 500	311 804	327 402	342 773	
Development Bank of Southern Africa	–	–	–	50 000	–	–	–	
World Bank Group	–	–	–	–	1	1	1	
Highly Indebted Poor Countries Initiative	54 400	44 700	39 505	–	–	–	–	
African Development Bank	112 738	85 436	72 581	154 316	98 597	114 552	122 512	
South African Revenue Service	3 501 950	3 792 007	4 602 509	4 254 302	4 845 560	5 237 038	5 559 338	
Financial and Fiscal Commission	12 038	12 679	17 869	19 660	19 205	20 178	21 125	
Secret Services	1 328 668	1 771 265	2 117 057	2 330 063	2 223 086	2 334 240	2 443 827	
Financial Intelligence Centre	35 000	37 000	21 866	23 617	31 410	42 480	44 474	
Commonwealth Fund for Technical Cooperation	–	2 620	2 290	3 000	3 000	–	–	
The Global Alliance for Vaccines and Immunization	–	–	–	7 000	7 000	7 500	8 000	
Total	5 173 719	6 038 542	7 124 664	7 118 458	7 539 663	8 083 391	8 542 050	
Change to 2005 Budget estimate				267 000	249 001	414 501	403 022	

Economic classification

	5 173 719	6 038 542	7 124 664	7 118 458	7 539 663	8 083 391	8 542 050
Transfers and subsidies							
Departmental agencies and accounts	4 877 656	5 612 951	6 759 301	6 627 642	7 119 261	7 633 936	8 068 764
Public corporations and private enterprises	–	–	–	50 000	–	–	–
Foreign governments and international organisations	296 063	425 591	365 363	440 816	420 402	449 455	473 286
Total	5 173 719	6 038 542	7 124 664	7 118 458	7 539 663	8 083 391	8 542 050

Details of major transfers and subsidies:

Departmental agencies and accounts							
Public entities							
Current	4 303 114	4 858 730	5 718 802	5 798 316	6 015 398	6 375 881	6 677 139
South African Revenue Services	2 952 408	3 457 459	4 113 559	3 803 868	4 148 100	4 405 705	4 614 467
Secret Services Account	1 328 668	1 363 592	1 569 324	1 955 216	1 822 068	1 913 172	2 002 992
Financial Intelligence Centre	10 000	25 000	18 050	19 572	26 025	36 826	38 555
Financial and Fiscal Commission	12 038	12 679	17 869	19 660	19 205	20 178	21 125
Capital	574 542	754 221	1 040 499	829 326	1 103 863	1 258 055	1 391 625
South African Revenue Services	549 542	334 548	488 950	450 434	697 460	831 333	944 870
Secret Services Account	–	407 673	547 733	374 847	401 018	421 068	440 836
Financial Intelligence Centre	25 000	12 000	3 816	4 045	5 385	5 654	5 919
Public corporations and private enterprises							
Public corporations							
Other transfers							
Current	–	–	–	50 000	–	–	–
Development Bank of Southern Africa	–	–	–	50 000	–	–	–

Table 8.10 Fiscal Transfers (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Foreign governments and international organisations							
Current	183 325	340 155	292 782	286 500	321 804	334 902	350 773
Lesotho, Namibia & Swaziland	128 925	292 835	250 987	276 500	311 804	327 402	342 773
Highly Indebted Poor Countries Initiative (HIPC)	54 400	44 700	39 505	–	–	–	–
Commonwealth Fund for Technical Cooperation	–	2 620	2 290	3 000	3 000	–	–
The Global Alliance for Vaccines and Immunization	–	–	–	7 000	7 000	7 500	8 000
Capital	112 738	85 436	72 581	154 316	98 598	114 553	122 513
African Development Bank	112 738	85 436	72 581	154 316	98 597	114 552	122 512
World Bank	–	–	–	–	1	1	1

Expenditure trends

The programme's largest expenses are allocated to the South African Revenue Services, which account on average for 64 per cent of the programme's budget over the seven-year-period. A substantial amount of total expenditure is consumed by Secret Services, which make up on average 29 per cent over the indicated years. Expenditure increased from R5,2 billion in 2002/03 to R7,1 billion in 2005/06, at an average annual rate of 11,2 per cent, mainly due to additional allocations for SARS.

Expenditure is expected to increase from R7,5 billion in 2006/07 to R8,5 million in 2008/09, at a rate of 6,3 per cent, due to the increased transfers to SARS related to capacity building and project improvement.

Service delivery objectives and indicators

Recent outputs

Lesotho, Namibia and Swaziland

The Common Monetary Area (CMA) countries (Lesotho, Namibia, Swaziland and South Africa) meet annually with a view to reconcile their respective interests in the formulation, modification and implementation of the monetary and exchange policies for the CMA and in regard to any other matters arising from the Multilateral Monetary Agreement between CMA members. Recent issues for discussion include a paper on the review of the role of the Commission and a study on an optimal currency arrangement for the CMA countries and the Southern African Development Community.

African Development Bank and African Development Fund

South Africa will contribute R39,9 million to the African Development Fund to be paid in three equal instalments of R13,3 million. South Africa's contribution to IDA 14 (the 14th contribution to the International Development Agency) will amount to R107,8 million. These contributions will be made in line with provisions for an accelerated encashment schedule over a three-year period.

Secret services

In 2004/05, many international and domestic terrorist cells were infiltrated. This division also focuses on criminal organisations involved in drugs, the trafficking of firearms and vehicles, corruption, commercial crime, cyber crime and child abuse.

Commonwealth Fund for Technical Co-operation

South Africa has been a regular contributor to the Commonwealth Fund for Technical Co-operation since 1994, through the Department of Foreign Affairs. From 2003/04, transfers to the fund have been made from National Treasury's vote. The fund's primary function is to serve as the development finance arm of the Commonwealth.

Selected medium-term output targets

Fiscal Transfers

Measurable objective: Meet international and other statutory financial obligations and the costs of effectively and efficiently raising revenue for the purpose of the state. Finance intelligence gathering and other secret services in the national interest.

Subprogramme	Output	Measure/Indicator	Target
Financial Intelligence Centre	Monitoring and analysis of financial transactions for evidence of laundering activities	Number of reports on unusual and suspicious transactions	15 000 reports per year
South African Revenue Service	Optimise revenue collection	Reduction in tax loopholes, improved assessment quality, debt collection, compliance and large tax base of contributing entities.	By 2008/09
	Improved trade administration and border control	Increase coverage of interventions, staff capacity and competence, non-intrusive X ray scanning, canine units, establishment of trans-national corridors and Integrated border service	By 2008/09

Trading accounts

Project development facility

The project development facility (PDF) is a single-function trading entity in National Treasury's PPP unit, created in accordance with the PFMA. Its role is to pay for services provided by consultants (transaction advisors) on contract to a department or public entity for a PPP. After the financial close of the PPP, the funds are recovered from the successful private party bidder.

The PDF is currently committed to funding seven projects. This represents the full commitment of available funds. All the projects meet the PDF criteria for prioritising social services projects. The PDF is currently being amended to allow municipalities to apply for funding for transaction advisors.

PPP projects supported by PDF funding	Amount funded (R)
Free State Department of Health – Trompsburg and Ladybrand hospitals	1 861 913
KwaZulu-Natal Department of Transport - Vukuzakhe plant depot	1 081 011
Eastern Cape Department of Health – Pharmaceuticals	3 146 696
Eastern Cape Department of Health – Settlers and Port Alfred hospitals	496 060
Western Cape Department of Health – Rehabilitation centre	2 925 000
Department of Labour ICT convergence PPP: Phase 1	1 960 000
Western Cape Department of Health – Swellendam hospital	561 450
Total	12 032 130

Public entities reporting to the minister

South African Revenue Service

The South African Revenue Service Act (1997) gives the South African Revenue Service (SARS) the mandate to perform the following central tasks: collect revenues that are due; ensure maximum compliance with legislation; and provide a customs service that will maximise revenue collection, protect the borders and facilitate trade.

SARS funding comprises a grant from National Treasury, commissions earned on the collection of skills development levies and UIF, and interest received on any temporary cash balances. The transfers received rise from R4,3 billion in 2005/06 to R5,6 billion in 2008/09. This revenue largely funds goods and services and compensation of employees. The accounting deficit shown below is of no material concern as it arises from non-cash expenses (depreciation). Moreover, SARS has a strong balance sheet with substantial cash reserves.

Since the 1997 financial year, net revenue collections by SARS have increased from a base of R125 billion to R353,8 billion in 2005, representing a consistent year-on-year growth of 13,9 per cent. This has been supported by a growing tax register from 3,4 million to 7,2 million (Income Tax, VAT and PAYE) representing a consistent year-on-year increase of 8,7 per cent. These strong trends are also supported by significant improvements in its service provision during the last three years, including the launch of eFiling, the national rollout of call centres, upgrading of branch offices, introduction of the large business centre, and small business offerings.

The main priorities for the year ahead will be to increase investment in small business development, education and outreach, debt management, risk management, increasing human capacity and modernising programmes, which would involve product redesign, process automation, and core system consolidation and replacement. SARS recently introduced the Khanyisile series of publications to address taxpayer education, and is in the process of launching the community tax helper's programme.

Table 8.11 Financial summary for the South African Revenue Service (SARS)

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited		2005/06	2006/07	2007/08
R thousand	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
INCOME STATEMENT SUMMARY							
Revenue							
Non-tax revenue	224 464	261 990	226 310	192 147	204 958	219 794	239 473
Transfers received	3 073 360	3 326 322	4 037 289	4 254 302	4 845 560	5 237 038	5 559 338
Total revenue	3 297 824	3 588 312	4 263 599	4 446 449	5 050 518	5 456 832	5 798 811
Expenses							
Current expense	2 873 803	3 555 058	4 303 765	4 872 819	5 173 194	5 511 516	5 818 067
Compensation of employees	1 630 463	2 074 150	2 307 029	2 585 551	2 902 630	3 105 376	3 320 146
Goods and services	1 129 016	1 304 507	1 770 268	2 050 678	2 052 667	2 251 583	2 374 103
Depreciation	114 300	176 390	226 461	236 590	217 897	154 557	123 818
Interest, dividends and rent on land	24	11	7	-	-	-	-
Transfers and subsidies	4 391	5 312	6 009	9 974	10 644	11 177	11 701
Total expenses	2 878 194	3 560 370	4 309 774	4 882 793	5 183 838	5 522 693	5 829 768
Surplus / (Deficit)	419 630	27 942	(46 175)	(436 344)	(133 320)	(65 861)	(30 957)
BALANCE SHEET SUMMARY							
Carrying value of assets	297 405	504 096	510 421	445 270	311 839	245 973	215 005
Receivables and prepayments	42 982	47 129	33 015	34 580	36 223	37 949	39 760
Cash and cash equivalents	1 050 695	946 997	1 134 118	745 376	774 836	804 053	834 739
Total assets	1 391 082	1 498 222	1 677 554	1 225 226	1 122 898	1 087 975	1 089 504
Capital and reserves	1 092 022	1 119 967	1 073 700	637 446	504 126	438 265	407 308
Trade and other payables	183 130	214 338	396 875	366 810	385 151	404 408	424 629
Provisions	115 930	163 917	206 979	220 970	233 621	245 302	257 567
Total equity and liabilities	1 391 082	1 498 222	1 677 554	1 225 226	1 122 898	1 087 975	1 089 504

Data provided by the South African Revenue Service

Development Bank of Southern Africa

The Development Bank of Southern Africa (DBSA) is a schedule 2 public entity governed by the Development Bank of Southern Africa Act (1997). DBSA plays a triple role of financier, advisor and partner, by mobilising finance and expertise for development projects. Most of these projects provide communities with access to affordable basic services such as water and sanitation, transport, electricity and communication. Although it prioritises infrastructure backlogs, the bank also funds projects that support social, institutional and economic infrastructure development.

DBSA provides an array of products and services to its clients including direct loans, consulting and advisory services, which allow it to generate substantial own revenue amounting to R2,4 billion in 2005/06, rising to R2,8 billion by 2008/09. It has a substantial investment portfolio amounting to R6,4 billion and a loan book valued at R17,1 billion in 2005/06. Total borrowings amounted to R12,8 billion in the same year. The DBSA's financial position remains robust over the MTEF period.

The leading strategic thrust toward 2014 will be to broaden and deepen its development impact, with special attention to eliminating backlogs in basic services, promoting job creation and stimulating local economic development. The bank will undertake a larger number of projects, in particular smaller and medium-sized projects with greater impact on local economic development. The bank will develop new, targeted infrastructure programmes, and create a new concessional finance window for historically neglected and under-resourced localities.

The DBSA will also continue to play a catalytic role as initiator or advisor to other institutions in the provision of finance. These knowledge and financial partnerships are a key component of the bank's long-term strategy to support the financing of local government by deepening and widening the market and providing finance at affordable terms.

Table 8.12 Financial summary for the Development Bank of Southern Africa (DBSA)

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited		2006/07	2007/08	2008/09
R thousand	2002/03	2003/04	2004/05	2005/06			
INCOME STATEMENT SUMMARY							
Revenue							
Non-tax revenue	2 312 141	2 560 589	2 414 188	2 399 486	2 569 765	2 678 929	2 822 732
Sale of goods and services other than capital assets	-	-	-	-	-	-	-
<i>of which:</i>							
<i>Other non-tax revenue</i>	<i>2 312 141</i>	<i>2 560 589</i>	<i>2 414 188</i>	<i>2 399 486</i>	<i>2 569 765</i>	<i>2 678 929</i>	<i>2 822 732</i>
<i>Interest on investments</i>	<i>609 717</i>	<i>757 683</i>	<i>622 327</i>	<i>472 787</i>	<i>437 041</i>	<i>354 431</i>	<i>340 747</i>
<i>Interest on loans advanced</i>	<i>1 672 836</i>	<i>1 776 887</i>	<i>1 699 010</i>	<i>1 821 031</i>	<i>1 990 399</i>	<i>2 164 152</i>	<i>2 304 892</i>
<i>Other</i>	<i>29 588</i>	<i>26 019</i>	<i>92 851</i>	<i>105 668</i>	<i>142 325</i>	<i>160 346</i>	<i>177 093</i>
Total revenue	2 312 141	2 560 589	2 414 188	2 399 486	2 569 765	2 678 929	2 822 732
Expenses							
Current expense	1 308 510	1 517 789	1 562 054	1 454 745	1 488 655	1 588 055	1 597 029
Compensation of employees	185 421	240 030	232 582	271 965	305 531	320 621	336 461
Goods and services	149 342	167 619	254 900	133 901	143 231	171 104	176 548
Depreciation	6 785	9 369	13 090	14 370	8 279	9 403	10 895
Interest, dividends and rent on land	966 962	1 100 771	1 061 482	1 034 509	1 031 614	1 086 927	1 073 125
Transfers and subsidies	98 629	325 082	39 426	45 267	118 951	130 041	145 214
Total expenses	1 407 139	1 842 871	1 601 480	1 500 012	1 607 606	1 718 096	1 742 243
Surplus / (Deficit)	905 002	717 718	812 708	899 474	962 159	960 833	1 080 489

Table 8.12 Financial summary for the Development Bank of Southern Africa (DBSA) (continued)

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited		2006/07	2007/08	2008/09
R thousand	2002/03	2003/04	2004/05	2005/06			
BALANCE SHEET SUMMARY							
Carrying value of assets	120 955	129 893	145 058	192 280	227 045	232 541	237 846
Long term investments	5 277 886	6 003 694	6 912 633	6 417 340	5 693 893	5 605 209	4 938 992
Loans	14 125 274	15 551 816	15 606 714	17 101 910	19 044 833	20 365 368	21 756 732
Receivables and prepayments	89 265	85 645	96 581	103 179	110 253	117 832	125 957
Cash and cash equivalents	1 305 768	1 913 410	2 006 530	1 938 317	1 380 819	1 250 763	919 187
Total assets	20 919 148	23 684 458	24 767 516	25 753 026	26 456 843	27 571 713	27 978 714
Capital and reserves	10 231 348	(554 071)	(329 464)	12 251 186	12 952 104	13 660 837	14 485 331
Borrowings	10 225 613	23 502 232	24 423 174	12 791 454	12 755 708	13 121 019	12 660 388
Post retirement benefits	66 095	105 086	96 452	104 168	112 502	121 502	131 222
Trade and other payables	352 984	602 959	525 016	606 218	636 529	668 355	701 773
Provisions	43 108	28 252	52 338	-	-	-	-
Total equity and liabilities	20 919 148	23 684 458	24 767 516	25 753 026	26 456 843	27 571 713	27 978 714

Data provided by the Development Bank of Southern Africa

Financial Intelligence Centre

The Financial Intelligence Centre (FIC) was established in terms of the Financial Intelligence Centre Act (2001) (FICA) and has been operational since February 2002. The FIC has implemented customer due diligence measures enabling it to operate as an independent state agency, and has implemented regulations supporting the act since June 2003. The FIC's core mandate is to process, analyse and interpret information disclosed to it by accountable institutions in the private sector. The FIC analyses the information and thereafter make referrals to law enforcement authorities, intelligence services and SARS for investigation and prosecution if necessary.

The FIC was established as a project by National Treasury and although now an autonomous entity, continues to receive a range of support services and funding from National Treasury. Over the medium term, the FIC will receive R31,4 million in 2006/07, R42,5 million in 2007/08 and R44,5 million in 2008/09 from the Treasury.

The FIC is also mandated to co-ordinate all other anti-money-laundering matters and matters relating to combating the financing of terrorism. The major objectives of the FIC in the medium term include: timeous capture, analysis and referrals of suspicious transaction reports to law enforcement authorities (approximately 15 000 such report per year); implementing measures to effectively manage the exchange of information with law enforcement authorities and other financial intelligence units worldwide; developing a risk based compliance framework; undertaking legislative amendments to the FICA to comply with the revised international standards; introducing new reporting requirements as set out in the act; and preparing for the evaluation of the FIC's operations and infrastructure in South Africa in 2007.

Financial Services Board

The Financial Services Board is a statutory body established in terms of the Financial Services Board Act (1990). It supervises the activities of non-banking financial institutions and services, and acts in an advisory capacity to the Minister of Finance. A further function of the board is to promote programmes and initiatives by financial institutions and bodies representing the financial services industry to inform and educate users and potential users of financial products and services. The board is financed by the financial services industry, with no contribution from government.

The board supervises institutions and services in terms of 13 acts. Functions include regulatory control over long and short-term insurance, retirement funds, friendly societies, capital markets, financial advisory and intermediate services (FAIS), insider trading and collective investment schemes and central security depositories responsible for the safe custody of securities. The board is also responsible for the financial supervision of the Road Accident Fund and supervising compliance with money-laundering control measures in the Financial Intelligence Centre Act (2001) (FICA).

During 2004/05, several pieces of legislation supporting the regulatory and supervisory framework were established. Two new acts were passed to further strengthen the integrity on the overall regulatory framework and improve the prospect of continued financial stability. The Financial Services Board prepared a medium-term resource plan in 2005, which indicated that the staff complement would have to increase in order to implement the financial advisory and intermediary services department's registrations and expand their regulatory functions.

The budgeted surplus for 2004/05 (excluding income from fines and penalties) was approximately R15,6 million compared to the actual surplus of approximately R7,6 million. However, the actual surplus was below budget due to further unexpected delays in the implementation of FAIS. It is anticipated that the FAIS-related accumulated deficit of approximately R31,4 million at year-end will be recouped during the medium term.

Objectives for 2006 are: hosting the 2006 annual meeting of the financial action task force, assisting in rewriting the Pension Funds Act (1956), and further work on the issue of internal models in life and short term insurance and on protecting policyholders in light of the Fedsure inspection report. Other aspects relate to: finalising the licensing process in terms of the Financial Advisory and Intermediary Services Act (2002) and introducing a dedicated risk-based supervision approach for financial intermediaries and advisors, focusing on fund raising for the financial services consumer education initiative, and shifting increasingly to legislative enforcement.

Table 8.13 Financial summary for the Financial Services Board (FSB)

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited		Estimated outcome	2006/07	2007/08
R thousand	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
INCOME STATEMENT SUMMARY							
Revenue							
Non-tax revenue	96 618	113 379	141 649	176 542	199 210	209 000	220 000
Sale of goods and services other than capital assets	91 723	101 522	127 001	173 786	195 954	203 000	215 000
of which:							
Non-market est. sales	91 723	101 522	127 001	173 786	195 954	203 000	215 000
Other non-tax revenue	4 895	11 857	14 648	2 756	3 256	6 000	5 000
Total revenue	96 618	113 379	141 649	176 542	199 210	209 000	220 000
Expenses							
Current expense	96 197	107 321	125 463	167 037	189 743	197 784	211 917
Compensation of employees	64 091	69 811	79 315	110 562	120 460	125 110	134 676
Goods and services	30 145	35 044	43 078	53 032	65 487	68 130	72 255
Depreciation	1 791	2 460	3 069	3 443	3 796	4 544	4 986
Interest, dividends and rent on land	170	6	1	–	–	–	–
Transfers and subsidies	268	306	2 410	437	469	–	–
Total expenses	96 465	107 627	127 873	167 474	190 212	197 784	211 917
Surplus / (Deficit)	153	5 752	13 776	9 068	8 998	11 216	8 083

Table 8.13 Financial summary for the Financial Services Board (FSB) (continued)

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited		2005/06	2006/07	2007/08
R thousand	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
BALANCE SHEET SUMMARY							
Carrying value of assets	5 740	5 817	5 989	9 176	10 280	10 686	10 150
Investments	7 445	27 207	43 561	20 016	21 000	21 000	21 500
Inventory	417	427	424	500	500	500	500
Receivables and prepayments	10 536	9 349	13 317	23 300	21 900	20 800	19 400
Cash and cash equivalents	35 041	36 175	42 449	42 275	51 785	63 195	73 814
Total assets	59 179	78 975	105 740	95 267	105 465	116 181	125 364
Capital and reserves	27 222	32 975	46 755	56 067	64 065	75 281	83 364
Post retirement benefits	13 196	15 303	12 619	15 000	16 000	16 000	17 000
Trade and other payables	15 133	19 575	25 935	19 200	19 900	19 900	20 000
Provisions	3 628	4 268	4 645	5 000	5 500	5 000	5 000
Managed funds	-	6 854	15 786	-	-	-	-
Total equity and liabilities	59 179	78 975	105 740	95 267	105 465	116 181	125 364

Data provided by the Financial Services Board

Public Investment Corporation

The Public Investment Corporation (PIC) is a corporate body governed in terms of the Public Investment Corporation Act (2004). The corporation was officially launched in April 2005, before which it was known as the Public Investment Commissioners. The PIC's predecessor was a statutory body governed in terms of the Public Investment Commissioners Act (1984).

The PIC invests funds on behalf of the South African public sector. There are currently 40 entities or clients whose funds are managed by PIC. The largest of these is the Government Employees Pension Fund, which accounts for 91 per cent of assets under management. Assets managed by the PIC have grown from R221 billion in 2000 to R461 billion as at 31 March 2005. The PIC also manages a number of properties which provide office, retail, industrial, and other rental space. It is effectively self-funded, and produces its own annual report, which is tabled in Parliament. The PIC reports to the Minister of Finance.

Accounting Standards Board

The Accounting Standards Board (ASB), established in the latter part of 2002 in accordance with the PFMA (1999), as amended, is mainly responsible for setting the accounting standards of generally recognised accounting practice (GRAP) in government. The ASB sets standards and guidelines for financial statements as required by section 216 (a) of the Constitution of South Africa.

During 2004/05, the ASB approved and issued a framework for the preparation of financial statements. The standards of GRAP for the following were approved: inventories; leases; investment property; property, plant and equipment; segment reporting; and investment in associates. The draft standards of GRAP for the following were issued for public comment: interest in joint ventures, provisions, contingent liabilities and contingent assets.

Over the medium term, the board aims to develop and issue a core set of GRAP that would be available for implementation by all spheres of government. This is in line with the movement towards accrual accounting by national and provincial governments in the long term, and the implementation of the master systems plan for transversal systems.

Over the medium term, the ASB receives transfers of R4,8 million in 2006/07, R5 million in 2007/08 and R5,2 million in 2008/09 from National Treasury.

South African Special Risk Insurance Association

The South African Special Risk Insurance Association (SASRIA) was established in 1979 and was registered in terms of section 21 of the Companies Act (1973) but in 1998, the conversion of SASRIA Act (1998) made government the sole shareholder. The goal of SASRIA is to create an environment for positive growth and change, by lending stability and peace of mind to all South Africans, even in the face of special risks.

A significant reduction in the number of strikes and other setbacks had a positive effect on SASRIA results for 2004 and 2005. For the year ending 31 December 2004, SASRIA had an increase in gross premium income to R375,2 million, which is 13,1 per cent up from the previous year. The underwriting surplus for the year amounted to R159 million. The organisation receives no transfers from government due to its ability to generate own revenue through premiums. Over the medium term, SASRIA maintains a strong financial position underpinned by a strong balance sheet, with investments rising to above R2,1 billion by 2007/08.

SASRIA's monopoly as the sole supplier of insurance cover for special risks will be eased by the final phase of the restructuring of SASRIA, which is full privatisation. The company will be able to explore new avenues and develop new extraordinary products. In anticipation of this, SASRIA has invested heavily in developing a more customer-centred operational model. Key to this is a major IT initiative, with new programmes and operating systems designed to maximise interconnectivity and data sharing between all players in the industry. This will streamline communications, boost transparency and ultimately provide a faster and more cost effective service for all stakeholders. The Minister of Finance has set a five-year target for privatisation, to allow the industry as a whole to prepare itself for this.

Table 8.13 Financial summary for the South African Special Risk Insurance Association (SASRIA)

	Outcome			Estimated outcome	Medium-term estimate		
	Audited	Audited	Audited		2006/07	2007/08	2008/09
R thousand	2002/03	2003/04	2004/05	2005/06			
INCOME STATEMENT SUMMARY							
Revenue							
Non-tax revenue	378 274	477 868	525 293	518 000	590 000	625 000	670 000
Sale of goods and services other than capital assets	251 600	331 663	375 214	398 000	458 000	475 000	500 000
<i>of which:</i>							
<i>Sales by market establishments</i>	<i>251 600</i>	<i>331 663</i>	<i>375 214</i>	<i>398 000</i>	<i>458 000</i>	<i>475 000</i>	<i>500 000</i>
<i>Other non-tax revenue</i>	<i>126 674</i>	<i>146 205</i>	<i>150 079</i>	<i>120 000</i>	<i>132 000</i>	<i>150 000</i>	<i>170 000</i>
Total revenue	378 274	477 868	525 293	518 000	590 000	625 000	670 000
Expenses							
Current expense	166 694	286 822	215 720	361 694	225 011	239 423	256 315
Compensation of employees	4 423	7 054	8 633	9 000	9 999	10 420	11 200
Goods and services	162 031	279 481	206 768	351 994	214 112	228 013	244 055
Depreciation	240	287	319	700	900	990	1 060
Transfers and subsidies	327	375	362	400	355	300	350
Total expenses	167 021	287 197	216 082	362 094	225 366	239 723	256 665
Surplus / (Deficit)	211 253	190 671	309 211	155 906	364 634	385 277	413 335
Tax payment	63 764	60 357	19 850	45 000	105 000	110 000	119 000

Table 8.13 Financial summary for the South African Special Risk Insurance Association (SASRIA) (continued)

	Outcome				Medium-term estimate		
	Audited	Audited	Audited	Estimated outcome			
R thousand	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
BALANCE SHEET SUMMARY							
Carrying value of assets	636	683	3 066	3 400	2 540	1 620	1 400
Investments	1 086 757	1 292 806	1 497 008	1 700 000	1 900 000	2 144 000	2 415 000
Receivables and prepayments	104 989	66 373	109 997	67 465	88 389	97 156	106 311
Cash and cash equivalents	17 329	28 427	6 612	3 000	3 570	5 000	6 200
Total assets	1 209 711	1 388 289	1 616 683	1 773 865	1 994 499	2 247 776	2 528 911
Capital and reserves	1 042 273	1 172 587	1 461 948	1 576 865	1 836 499	2 111 776	2 406 111
Trade and other payables	90 959	93 858	75 866	91 000	78 000	66 000	57 800
Provisions	76 479	121 844	78 869	106 000	80 000	70 000	65 000
Total equity and liabilities	1 209 711	1 388 289	1 616 683	1 773 865	1 994 499	2 247 776	2 528 911

Data provided by the South Africa Special Risk Insurance Association

Annexure

Vote 8: National Treasury

Table 8.A: Summary of expenditure trends and estimates per programme and economic classification

Table 8.B: Summary of personnel numbers and compensation of employees

Table 8.C: Summary of expenditure on training

Table 8.D: Summary of conditional grants to provinces and local government (municipalities)

Table 8.E: Summary of official development assistance expenditure

Table 8.F: Summary of expenditure on infrastructure

Table 8.A Summary of expenditure trends and estimates per programme and economic classification

Programme	Appropriation		Audited outcome	Appropriation			Revised estimate
	Main	Adjusted		Main	Additional	Adjusted	
R thousand	2004/05		2004/05	2005/06			2005/06
1. Administration	101 879	163 655	109 406	111 816	48 817	160 633	145 633
2. Economic Planning and Budget Management	140 207	150 864	135 734	151 761	18 188	169 949	162 949
3. Asset and Liability Management	42 271	53 876	26 260	49 722	(18 879)	30 843	29 343
4. Financial Management and Systems	352 455	351 730	226 416	281 999	14 277	296 276	213 276
5. Financial Accounting and Reporting	66 182	65 180	31 902	85 634	(27 644)	57 990	47 990
6. Provincial and Local Government Transfers	3 889 260	3 934 260	3 934 260	4 279 513	–	4 279 513	4 279 513
7. Civil and Military Pensions, Contributions to Funds and Other Benefits	2 163 966	2 063 966	1 921 319	2 178 805	(98 000)	2 080 805	2 060 805
8. Fiscal Transfers	7 185 511	7 258 442	7 124 664	6 851 458	267 000	7 118 458	7 018 458
Subtotal	13 941 731	14 041 973	13 509 961	13 990 708	203 759	14 194 467	13 957 967
Direct charge on National Revenue Fund	210 403 402	170 501 502	169 735 694	187 831 191	(690 559)	187 140 632	186 451 632
Provinces Equitable Share	159 971 402	120 884 502	120 884 502	134 706 191	585 441	135 291 632	135 291 632
State Debt Costs	50 432 000	49 617 000	48 851 192	53 125 000	(1 276 000)	51 849 000	51 160 000
Total	224 345 133	184 543 475	183 245 655	201 821 899	(486 800)	201 335 099	200 409 599

Economic classification

Programme	Appropriation		Audited outcome	Appropriation			Revised estimate
	Main	Adjusted		Main	Additional	Adjusted	
R thousand	2004/05		2004/05	2005/06			2005/06
Current payments	52 606 159	51 718 719	50 570 433	55 199 879	(1 354 267)	53 845 612	53 030 112
Compensation of employees	1 705 076	1 556 654	1 362 273	1 672 492	(136 003)	1 536 489	1 508 489
Goods and services	469 083	545 065	356 353	402 387	57 736	460 123	361 623
Interest and rent on land	50 432 000	49 617 000	48 851 192	53 125 000	(1 276 000)	51 849 000	51 160 000
Financial transactions in assets and liabilities	–	–	615	–	–	–	–
Transfers and subsidies	171 726 957	132 792 505	132 665 238	146 609 329	858 397	147 467 726	147 357 726
Provinces and municipalities	163 861 142	124 819 344	124 819 255	138 985 831	585 925	139 571 756	139 571 756
Departmental agencies and accounts	6 775 489	6 782 379	6 773 404	6 402 817	250 000	6 652 817	6 652 817
Universities and technikons	–	–	795	–	5 000	5 000	5 000
Public corporations and private enterprises	40 001	40 001	–	40 000	10 500	50 500	500
Foreign governments and international organisations	391 590	462 046	366 907	436 896	7 000	443 896	393 896
Non-profit institutions	55	55	56	58	–	58	58
Households	658 680	688 680	704 821	743 727	(28)	743 699	733 699
Payments for capital assets	12 017	32 251	9 984	12 691	9 070	21 761	21 761
Machinery and equipment	12 017	20 853	8 378	12 417	8 043	20 460	20 460
Software and intangible assets	–	11 398	1 606	274	1 027	1 301	1 301
Total	224 345 133	184 543 475	183 245 655	201 821 899	(486 800)	201 335 099	200 409 599

Table 8.B Summary of personnel numbers and compensation of employees

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimates		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
A. Permanent and full-time contract employees							
Compensation (R thousand)	107 277	127 363	160 635	138 013	203 019	225 571	316 370
Unit cost (R thousand)	126	148	184	158	222	247	346
Compensation as % of total	100.0%	100.0%	99.0%	97.8%	98.3%	98.3%	98.8%
Personnel numbers (head count)	849	859	873	873	914	914	914
C. Interns							
Compensation of interns (R thousand)	–	–	1 680	3 100	3 575	3 900	3 900
Unit cost (R thousand)			60	62	65	65	65
Number of interns	–	–	28	50	55	60	60
Total for department							
Compensation (R thousand)	107 277	127 363	162 315	141 113	206 594	229 471	320 270
Unit cost (R thousand)	126	148	180	153	213	236	329
Personnel numbers (head count)	849	859	901	923	969	974	974

Table 8.C Summary of expenditure on training

	Audited outcome			Adjusted appropriation	Medium-term expenditure estimates		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Training and staff development							
Expenditure (R thousand)	5 851	6 417	4 812	5 294	5 821	6 405	7 045
Number of employees trained (head count)	59	51	311	342	377	413	456
Bursaries (employees)							
Expenditure (R thousand)	–	–	627	690	759	835	917
Number of employees (head count)	–	–	48	54	58	64	70
Total	5 851	6 417	5 439	5 984	6 580	7 240	7 962
Number of employees	59	51	359	396	435	477	526

Table 8.D Summary of conditional grants to provinces and local government (municipalities)¹

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Conditional grants to provinces							
6. Provincial and Local Government Transfers							
Provincial Infrastructure Grant	1 550 000	2 334 488	3 348 362	3 730 773	4 118 119	5 324 025	5 696 707
Provincial Infrastructure - Flood Rehabilitation	400 000	200 000	–	–	–	–	–
Total	1 950 000	2 534 488	3 348 362	3 730 773	4 118 119	5 324 025	5 696 707

Table 8.D Summary of conditional grants to provinces and local government (municipalities)¹ (continued)

R thousand	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Conditional grants to local government (municipalities)							
6. Provincial and Local Government Transfers							
Local Government Restructuring Grant	151 000	494 000	387 900	350 000	350 000	350 000	–
Financial Management Grant - Municipalities	111 000	151 000	129 000	132 500	145 250	145 250	150 000
Financial Management Grant - Development Bank of South Africa	44 000	59 830	68 998	66 240	53 407	53 407	50 000
Neighbourhood Development Partnership Grant	–	–	–	–	50 000	950 000	1 500 000
Total	306 000	704 830	585 898	548 740	598 657	1 498 657	1 700 000

¹ Detail provided in the Division of Revenue Act (2006).

Table 8.E Summary of official development assistance expenditure

Donor	Project	Cash/ kind	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
			2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Foreign									
	Acquired Immuno Deficiency Syndrome (AIDS) programme		25	–	–	–	–	–	–
European Union (EU)	Technical Assistance Team	Cash	1 529	1 118	9 862	1 802	3 639	–	–
European Union (EU)	Financial Management Improvement Programme	Cash	3 713	443	444	–	–	–	–
International Development Research Centre-Canada (IDRC)	Information Systems	Cash	18	22	–	–	–	–	–
European Union	International Development Co-operation Support Programme	Cash	585	1 702	1 702	1 702	–	–	–
European Union Commission	Finance and Investment Protocol-FISCU	Cash	–	3 115	–	–	–	–	–
United Kingdom	Support to Economic Reform Project 1 (SERP)	Kind	–	–	–	–	–	–	–
United Kingdom	Support to Economic Reform Project 2 (SERP)	Kind	–	2 978	–	–	–	–	–
Sweden	Revised Budget Reporting Formats	Kind	–	–	–	–	–	–	–
United States of America (USA)	Support for Economic Growth and Analysis (SEGA)	Kind	–	–	–	–	–	–	–
United States of America (USA)	Chemonics	Kind	–	–	–	2 600	–	–	–
United States of America (USA)	US Treasury Secondment	Kind	–	–	–	–	–	–	–
German Technical Co-operation (GTZ)	Economic Policy and Advisory Programme	Kind	–	–	–	–	–	–	–
IMF	Short course (G Marincowitz)	Kind	27	–	–	–	–	–	–

Table 8.E Summary of official development assistance expenditure (continued)

Donor	Project	Cash/ kind	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
			2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
R thousand									
DFID	Short course (P Bologo)	Kind	-	17	-	-	-	-	-
IMF	Conference (E Masilela)	Kind	-	45	-	-	-	-	-
United Kingdom	Siyakha (SARS transformation) Support to Tax Policy	Kind	2 230	-	-	-	-	-	-
Switzerland	Development Co-operation Information Systems	Cash	-	114	-	-	-	-	-
Japan International Co-operation Agency (JICA)	Development Co-operation Information Systems	Cash	-	-	67	-	-	-	-
DFID	Strengthening the Impact of Pro-Poor Programmes (SIPP)	Kind	-	-	2 564	5 898	2 798	-	-
US AID	Aid programme	Kind	-	-	-	15 269	15 269	-	-
DFID	Conference-Commission for Africa Secretariat	Cash	-	-	1 590	-	-	-	-
DCI	Collaborative African Budget Reform Initiative	Cash	-	-	315	-	-	-	-
DFID	Strengthening the Impact of pro-Poor Programmes (SIPP)	Kind	-	-	-	-	-	-	-
Belgian Development Corporation	Capacity Survey for Provincial PPP's	Kind	-	-	-	450	-	-	-
Total			8 127	9 554	16 544	27 721	21 706	-	-

Table 8.F Summary of expenditure on infrastructure

Description	Service delivery outputs	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate		
		2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
R thousand								
Infrastructure transfers to other spheres, agencies and departments								
Provincial Infrastructure Grant	Conditional grant to supplement provincial infrastructure projects	1 950 000	2 534 488	3 348 362	3 730 773	4 118 119	5 324 025	5 696 707
Neighborhood Development Partnership Grant	Co-financing the construction of new and improved community facilities	-	-	-	-	50 000	950 000	1 500 000
Maintenance on infrastructure (capital)								
	Refurbishment of 40 Church Square	4 414	3 000	-	-	-	-	-
	Refurbishment of 240 Vermeulen Street	30 506	9 000	6 337	5 000	-	-	-
	Refurbishment of SITA Centurion	-	-	-	15 000	-	-	-
Total		1 984 920	2 546 488	3 354 699	3 750 773	4 168 119	6 274 025	7 196 707